

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

August 31, 2004

Ms. Carol W. Disbro, Director of Reimbursement
Trans Healthcare, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

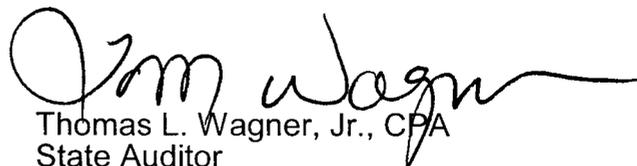
Re: AC# 3-MCL-J1 – Magnolia Manor – Columbia, Inc.

Dear Ms. Disbro:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

MAGNOLIA MANOR – COLUMBIA, INC.

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-MCL-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 4, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Magnolia Manor - Columbia, Inc., for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Magnolia Manor - Columbia, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

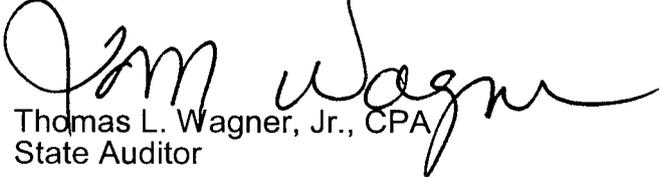
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Magnolia Manor - Columbia, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Magnolia Manor - Columbia, Inc. dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 4, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

MAGNOLIA MANOR - COLUMBIA, INC.
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-MCL-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$117.52
Adjusted Reimbursement Rate	<u>114.99</u>
Decrease in Reimbursement Rate	\$ <u><u>2.53</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

MAGNOLIA MANOR - COLUMBIA, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-MCL-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.16	\$63.44	
Dietary		10.90	11.63	
Laundry/Housekeeping/Maintenance		<u>9.18</u>	<u>10.22</u>	
Subtotal	\$ <u>5.97</u>	78.24	85.29	\$ 78.24
Administration & Medical Records	\$ <u>-</u>	<u>16.53</u>	<u>12.63</u>	<u>12.63</u>
Subtotal		94.77	<u>\$97.92</u>	90.87
<u>Costs Not Subject to Standards:</u>				
Utilities		3.13		3.13
Special Services		-		-
Medical Supplies & Oxygen		6.86		6.86
Taxes and Insurance		1.94		1.94
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$106.71</u>		102.81
Inflation Factor (3.70%)				3.80
Cost of Capital				6.63
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$114.99</u>

MAGNOLIA MANOR - COLUMBIA, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-MCL-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,856,596	\$ 12,542 (3) 382 (4)	\$ 24,074 (2) 46,826 (2) 5,373 (3)	\$1,793,247
Dietary	334,616	2,074 (3)	449 (4)	336,241
Laundry	70,826	-	-	70,826
Housekeeping	105,301	-	-	105,301
Maintenance	106,562	521 (3)	-	107,083
Administration & Medical Records	491,211	46,826 (2) 8,642 (3) 203 (3) 7,744 (5)	45,058 (4)	509,568
Utilities	96,485	-	-	96,485
Special Services	1	1,563 (3)	1,564 (6)	-
Medical Supplies & Oxygen	184,039	24,074 (2) 3,546 (3)	-	211,659
Taxes and Insurance	60,529	-	840 (4)	59,689

MAGNOLIA MANOR - COLUMBIA, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-MCL-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	334	-	-	334
Cost of Capital	246,504	157 (1)	35,421 (4)	204,471
	<u> </u>	<u>1,029 (5)</u>	<u>7,798 (7)</u>	<u> </u>
Subtotal	3,553,004	109,303	167,403	3,494,904
Ancillary	144,639	-	-	144,639
Nonallowable	453,739	81,386 (4)	157 (1)	511,839
	<u> </u>	1,564 (6)	23,718 (3)	<u> </u>
	<u> </u>	<u>7,798 (7)</u>	<u>8,773 (5)</u>	<u> </u>
Total Operating Expenses	<u>\$4,151,382</u>	<u>\$200,051</u>	<u>\$200,051</u>	<u>\$4,151,382</u>
Total Patient Days	* <u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>

*Adjusted to 96% occupancy

Total Beds 88

MAGNOLIA MANOR - COLUMBIA, INC.
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-MCL-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 10	
	Accumulated Depreciation	163	
	Cost of Capital	157	
	Other Equity		\$ 173
	Nonallowable		157
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	46,826	
	Medical Supplies & Oxygen	24,074	
	Nursing		24,074
	Restorative		46,826
	To reclassify salaries to the proper cost centers DH&HS Expense Checklist		
3	Nursing	12,542	
	Dietary	2,074	
	Maintenance	521	
	Administration	8,642	
	Medical Records	203	
	Medical Supplies & Oxygen	3,546	
	Therapy	1,563	
	Restorative		5,373
	Nonallowable		23,718
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nursing	382	
	Nonallowable	81,386	
	Dietary		449
	Administration		45,058
	Taxes, Licenses & Insurance		840
	Cost of Capital		35,421
	To adjust the IHS home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA MANOR - COLUMBIA, INC.
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-MCL-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration Cost of Capital Nonallowable	7,744 1,029	 8,773
	To adjust the central accounting office and laundry home office allocations HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable Therapy	1,564	 1,564
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
7	Nonallowable Cost of Capital	7,798	 7,798
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$200,224</u>	<u>\$200,224</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MAGNOLIA MANOR - COLUMBIA, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-MCL-J1

Original Asset Cost (Per Bed)	\$	15,618
Inflation Adjustment		<u>2.4607</u>
Deemed Asset Value (Per Bed)		38,431
Number of Beds		<u>88</u>
Deemed Asset Value		3,381,928
Improvements Since 1981		117,014
Accumulated Depreciation at 9/30/01		<u>(1,017,632)</u>
Deemed Depreciated Value		2,481,310
Market Rate of Return		<u>.0577</u>
Total Annual Return		143,172
Return Applicable to Non-Reimbursable Cost Centers		-
Allocation of Interest to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Annual Return		143,172
Depreciation Expense		70,821
Amortization Expense		-
Capital Related Income Offsets		(9,522)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Cost of Capital Expense		204,471
Total Patient Days (Minimum 96% Occupancy)		<u>30,835</u>
Cost of Capital Per Diem	\$	<u><u>6.63</u></u>

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